

ORIGINAL

FILED
U.S. DISTRICT COURT
NORTHERN DIST. OF TX
FT. WORTH DIVISION

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS 2014 JUL -8 PM 3:42
FORT WORTH DIVISION

CLERK OF COURT

UNITED STATES OF AMERICA

v.

Criminal No.

JEFFREY WATTS (01)
a/k/a "Jeff Watts"

4-14 CR-146-Y

INFORMATION

The United States Attorney charges:

At all times material to this Information:

Allegations

The Scheme and Artifice to Defraud

1. From in or about the fall of 2011, and continuing through in or about December 2013, the defendant, **Jeffrey Watts**, engaged in a scheme and artifice to defraud involving oil and gas investments.
2. **Watts** presented himself as the founder and principal of Blue Alpha Energy, falsely representing to investors that the company had invested in oil and gas wells in Texas owned and/or operated by Arrowhead Productions, a legitimate, but unrelated company.
3. Arrowhead Productions was a Fort Worth based company owned by S.M. Information pertaining to the Arrowhead Productions wells and their productivity was publically available through the Texas Railroad Commission.

4. **Watts** established Blue Alpha Energy and a group of related limited partnerships and other entities merely as sham entities to perpetrate his scheme to defraud by leading investors to believe that they were investing in oil and gas wells owned and/or operated by Arrowhead Productions.

(a) **Watts** formed a shell company in Wyoming called Arrowhead Leasing

Group LLC, which was authorized to conduct business in Texas under the name of Arrowhead LG, LLC, which sounded closely related to the legitimate Arrowhead Productions.

(b) **Watts** represented to investors that Arrowhead LG, LLC was an assumed name or "d/b/a" of Arrowhead Productions, and possessed documents that bore the purported signature of S.M., as the President of Arrowhead LG, LLC.

(c) In addition to Arrowhead Leasing Group LLC and Arrowhead LG LLC, **Watts** created and used several other companies to further his scheme to defraud, including EVBA LLC and Semcorp LLC. **Watts** falsely portrayed these companies to be legitimate, third party lenders or investors in his alleged oil and gas interests. **Watts** also transferred investor funds between these accounts and the accounts of the Blue Alpha Energy limited partnership accounts.

5. **Watts** falsely represented to investors that they would receive monthly distributions corresponding to their ownership percentage in oil and gas wells owned and/or operated by Arrowhead Productions. He also duped his business partners and

employees into believing his fraudulent representations, causing them to disseminate printed investment information to unwittingly convey his misrepresentations.

6. To keep the fraudulent scheme going, **Watts** made monthly payments to investors in Blue Alpha Energy, using investor funds transferred between bank accounts of the sham entities he controlled. The financial records of the sham entities showed no transactions reflecting royalty payments or distributions from Arrowhead Productions, and no deposits related to the sale of oil or gas. The financial records indicated that all the payments to the investors originated from funds that the investors themselves paid to Blue Alpha Energy or one of its related entities.

7. Between 2011 and 2013, approximately \$5.8 million in investments were raised from approximately 45 investors for the various partnerships. However, in December 2013, several investors in Blue Alpha Energy learned that **Watts** never had investment agreements with Arrowhead Productions and, in fact, funneled the investor funds into the sham business entities that he controlled.

8. M.D., a resident of the state of New Jersey, invested \$50,000 in a Blue Alpha Energy limited partnership known as Blue Alpha Energy III LP. On February 28, 2013, M.D. sent what he believed to be an investment via wire transfer from an account at Merrill Lynch (part of Bank of America) in New York to a bank account in the name of Blue Alpha Energy III LP, located at Chase Bank in Texas, to which **Watts** was a signatory. As a result of this payment, between April 2, 2013, and November 5, 2013, M.D. received approximately eight payments from Blue Alpha Energy purporting to be returns on the investment.

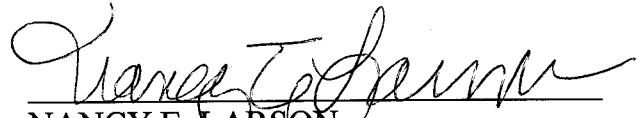
Count One
Wire Fraud
(Violation 18 U.S.C. § 1343)

The allegations in Paragraphs 1 through 8 of this Information are re-alleged and incorporated by reference as though fully set forth herein.

On or about February 28, 2013, in the Fort Worth Division of the Northern District of Texas and elsewhere, defendant **Jeffrey Watts**, for the purpose of executing and attempting to execute the scheme and artifice to defraud and to obtain money by means of materially false or fraudulent pretenses or representations, knowingly caused to be transmitted in interstate commerce, by means of a wire communication, certain signs and signals, that is: **Watts** caused M.D. to transfer \$50,000, which was transmitted via interstate wire, from M.D.'s account at Merrill Lynch in New York to an account controlled by **Watts** at Chase Bank in Texas, in that, one of **Watts'** partners, relying on **Watts'** fraudulent misrepresentations, led M.D. to believe that the payment was for a legitimate investment in Arrowhead Productions when, in fact, it was not.

In violation of 18 U.S.C. § 1343.

SARAH R. SALDAÑA
UNITED STATES ATTORNEY

A handwritten signature in cursive script, appearing to read "Nancy E. Larson", written over a horizontal line.

NANCY E. LARSON

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